

Regulations of Connecticut State Agencies

20-281-1. Definitions

Terms, as used in these regulations, mean:

- (1) "Multi-Jurisdictional Permit Holder," means a firm holding a permit to practice public accountancy in Connecticut and holding a similar permit or authority to practice in one or more other jurisdiction;
- (2) "Permit Holder," means a sole proprietorship, partnership or corporation holding or required to hold a permit to practice pursuant to Conn. Gen. Stat. § 20-281;
- (3) "New Permit Holder," means a holder of a permit to practice which has not been previously registered in this state, including a permit holder required to obtain a permit to practice as a result of participation in a merger, consolidation, acquisition or other form of combination; but does not include a permit holder which has been previously registered and changes its name due to the addition, death, withdrawal, or retirement of a partner or shareholder, or changes its name due to a change in the legal form of its practice;
- (4) "Year of Review," means the calendar year during which a peer review is to be conducted;
- (5) "Year Under Review," means the calendar year prior to the year of review **or the fiscal year prior to the review;**

(6) Engagement Review (to be added)

(7) System Review (to be added)

(8) AICPA Facilitated Board Access (to be added)

20-281-2. Requirement for peer review - areas to be reviewed

- (a) Every permit holder, as a condition of renewal of its permit pursuant to C.G.S. § 20-281, must undergo a peer review in accordance with these Regulations to determine and report on the degree of compliance by permit holders with generally-accepted accounting principles, generally-accepted auditing standards, and other similarly recognized authoritative technical standards. The peer review will include the financial reporting areas of practice, including audit engagements, review engagements, and compilation engagements of both historical and prospective financial information.
- (b) It is the obligation of the permit holder to take all steps necessary to undergo peer review when scheduled and to ~~[submit the report thereon]~~ **provide notice of the completion, results, and acceptance of the report** to the Board as required by these Regulations. Failure of the permit holder to receive any notice required or permitted by these Regulations shall not excuse a permit holder from its obligation to undergo peer review, and to ~~[file the report thereon]~~ **provide notice of the completion, results, and acceptance of the report** to the Board as required under these Regulations (or insert the statutory section).

20-281-3. Scheduling of peer review

~~[The first year of review begins on January 1, 1991. By December 1, 1990, the Board shall divide all permit holders into three groups and schedule one group to undergo peer review during 1991, another group to undergo peer review during 1992, and the other group to undergo peer review during 1993.]~~ Each permit holder shall undergo **initial** peer review ~~[during the year scheduled]~~ **as scheduled by the Board** and every third calendar year thereafter. ~~[The Board shall mail to the permit holders, at their addresses as last shown on the records of the Board, notice of the year during which they must undergo peer review.]~~

20-281-4. Rescheduling year of review

~~[By February 1st of its year of review, or at such later time as the Board, in its discretion, for good cause shown may allow, a permit holder may submit to the Board a request to reschedule its year of review.]~~ The Board may, in its discretion, grant a request to reschedule a permit holder's year of review. ~~[if it finds that said permit holder has undergone within two (2) calendar years before, or has entered into a binding commit to undergo within two (2) calendar years after the presently scheduled year of review, a review equivalent to the one required by these Regulations.]~~ If such a rescheduling is granted, the permit holder will undergo subsequent peer reviews every three (3) years after that rescheduled year of review. The application shall be in writing and under oath and shall set forth the name and permit number of the permit holder, the presently-scheduled year of review, the proposed rescheduled year of review, the date of the last peer or equivalent review, ~~[a copy of the final opinion letter issued by the reviewer as a result of that review,]~~ a statement of basis upon which rescheduling is sought, and, if the request is based upon the fact that the permit holder will undergo a review in the future, the date when that review will be held. ~~[and documentation that demonstrates to the satisfaction of the Board that the permit holder has made a binding commitment to undergo such a review when stated.]~~ The Board may require the permit holder to supply such additional information and documentation as it deems necessary or desirable in evaluating such a request.

20-281-5. New permit holders

A new permit holder, as a condition of renewal of its permit, must undergo a peer review during the first calendar year after it has been engaged in the practice of public accountancy for one full calendar year. After the initial peer review, the new permit holder shall undergo a peer review every [three years] **in each third calendar year** thereafter.

20-281-6. Selection of peer reviewer

A permit holder scheduled for peer review shall engage~~[, subject to approval of the Board,]~~ a reviewer to conduct the peer review. ~~[A permit holder subject to review shall submit to the Board, in writing, by March 1 of the year of review the name of the reviewer or reviewers who will conduct the peer review and evidence establishing that all reviewers meet the qualifications set forth in section 20-281-7and]~~ **Such reviewer shall conduct the peer review in accordance**

with section 20-281-8 and section 20-281-9. ~~[If a permit holder scheduled for peer review fails to notify the Board of its selection by March 1, the Board shall select a reviewer to conduct the peer review and notify the permit holder of the selection by April 1st; provided, however, that failure of the Board to select a reviewer as provided in this sentence shall not excuse a permit holder from its obligation to undergo peer review, and file the report thereon with the Board as required under these Regulations. The permit holder subject to peer review, whether it selects the reviewer or not, must engage the reviewer chosen or approved by the Board and file a copy of the letter or contract of engagement with the Board by May 15 of the year of review.]~~ **The peer reviewer shall meet the criteria set forth in section 20-281-7 of these regulations and shall conduct and record the peer review in accordance with standards which satisfies those set forth in the Standards for Performing and Reporting on Peer Reviews of the American Institute of Certified Public Accountants.**

20-281-7. Qualifications of peer reviewer

Peer reviewers must have the following minimum qualifications:

- (1) knowledge of and experience with the type of engagements to be reviewed, including experience in supervision of the preparation of reports and financial statements in connection with such engagements;
- (2) independence of the permit holder under peer review;
- (3) no conflict of interest;
- (4) familiarity with all specialized services in the area of auditing and accounting provided by the permit holder subject to review; [and]
- (5) familiarity with the procedures for conducting a peer review in accordance with the standards set forth in section 20-281-8 and section 20-281-9, and competence in performing such peer reviews; and

(6) have and maintain an active license in good standing as a certified public accountant in this state or any other United States state or recognized jurisdiction.

20-281-8. Conduct of Review

Peer review shall be conducted as follows:

~~[(1) In the case of a permit holder which performed one or more audits during the year under review, peer review shall include a study and evaluation of audit, review and compilation reports, the financial statements upon which those reports were based and the associated working papers, and shall include procedures sufficient to provide the peer reviewer with a reasonable basis upon which to issue a report as required by subsection (a) of section 20-281-9 of these Regulations;]~~ **(a) Permit holders that perform any of the following services shall undergo a system review, as defined in these Regulations:**

(1) engagements governed by the Statements on Auditing Standards of the American institute of Certified Public Accountants;

(2) engagements governed by the government auditing standards issued by the United States Government Accountability Office;

(3) examinations of prospective financial information pursuant to the Statements on Standards for Attestation Engagements of the American Institute of Certified Public Accountants or the government auditing standards issued by the United States Government Accountability Office; or

(4) audits of entities not registered with the United State Securities and Exchange Commission that are performed under standards of the Public Company Accounting Oversight Board.

~~[(2) In the case of a permit holder which performed no audit engagements, but did perform one or more review engagements or one or more compilation engagements during the year under review, peer review may be limited to a study and evaluation of review and compilation reports and the financial statements upon which those reports were based, and need not include a study of the associated working papers, but shall include procedures sufficient to provide the peer reviewer with a reasonable basis upon which to issue a report as required by subsection (b) of section 20-281-9;]~~ **(b) Permit holders that are not required to undergo a system review that perform any of the following services shall undergo an engagement review, as defined in these Regulations**

(1) review of historical financial statements in accordance with the Statements and Standards for Accounting and Review Services of the AICPA;

(2) compilation of historical financial statements with disclosures performed under the Statements and Standards for Accounting and Review Services of the AICPA;

(3) compilation of historical financial statements that omit substantially all disclosures performed under the Statements and Standards for Accounting and Review Services of the AICPA; or

(3) The reviewer shall select the engagements to be reviewed.

(4) The peer review shall be limited to reports with a year end date within the year under review.

(5) Peer review shall be performed in accordance with a comprehensive set of standards for such reviews ~~[generally recognized in the profession as authoritative]~~ **which satisfies those set forth in the Standards for Performing and Reporting on Peer Reviews of the American Institute of Certified Public Accountants.**

20-281-9. Results of review

(a) In the case of a permit holder ~~[which performed one or more audit engagements during the year under review,]~~ **required to undergo a system review,** upon completion of the review, the reviewer shall issue a report which, at a minimum, shall consist of an opinion letter setting forth the scope of the peer review, including any limitations thereon; identifying the comprehensive set of standards under which the peer review was performed; stating an opinion on whether,

during the year under review, ~~[the system of peer control for the accounting and auditing practice of the permit holder under peer review met the objectives of peer control standards]~~ the **system of quality control for the accounting and auditing practice of the reviewed firm has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards, which satisfy those set forth in the Standards for Performing and Reporting on Peer Reviews of the American Institute of Certified Public Accountants, in all material respects.** . ~~[generally recognized in the profession as authoritative, and whether that system of peer control was being complied with so as to provide the permit holder with reasonable assurance of conforming to professional standards. That opinion letter shall also describe the reason(s) for any modification, qualification or limitation of the opinion set forth in subsection (c) of this section.]~~

(b) In the case of a permit holder ~~[which performed no audit engagements, but did perform one or more compilation engagements or one or more review engagements during the year under review,]~~ **required to undergo an engagement review,** upon completion of the peer review, the peer reviewer shall issue a report which, at minimum, consists of an opinion letter ~~[describing the limited scope of the peer review and disclaiming an opinion or any form of assurance about the permit holder's [peer control policies and procedures for its accounting practice;]~~ identifying the comprehensive set of standards under which the peer review was conducted; stating whether anything came to the peer reviewer's attention that caused the peer reviewer to believe that the ~~[review or compilation reports]~~ **engagements** submitted for peer review ~~[did not conform]~~ **were not performed and reported in conformity with** ~~[the requirement of]~~ applicable professional standards **,which satisfy those set forth in the Standards for Performing and Reporting on Peer Reviews of the American Institute of Certified Public Accountants,** in all material respects~~;~~ ~~and, if applicable, that opinion letter shall describe the general nature of significant departures from professional standards disclosed by the peer review; and also, if the departures from professional standards disclosed by the peer review are sufficiently numerous or serious, the opinion letter shall set forth the peer reviewer's conclusion that the permit holder did not have~~ reasonable assurance of conforming with professional standards in the conduct of its accounting practice during the year under review].

(c) In the case of a permit holder ~~[which performed one or more audits during the year under review, an "unqualified" report shall be any report in which the peer reviewer expresses the opinion that the system of peer control for the accounting and auditing practice of the permit holder met the objectives of peer control standards generally recognized in the profession and was being complied with during the year reviewed so as to provide the permit holder with reasonable assurance of conforming with professional standards.]~~ **required to undergo a system review, a report with a peer review rating of *pass* means that the reviewer concludes that the firm's system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.**

(d) In the case of a permit holder [~~which performed one or more audits during the year under review, any report which sets forth an opinion other than the opinion described in subsection (e) of this section or which qualifies, limits or changes that opinion shall be a "modified report."~~] **required to undergo a system review, a peer review report rating of *pass with deficiencies* means that the reviewer concluded that the firm's system of quality control for the accounting and auditing practice has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects with the exception of a certain deficiency or deficiencies that are described in the report.**

(e) **In the case of a permit holder required to undergo a system review, a peer review report rating of *fail* means that the reviewer has identified significant deficiencies and concluded that the firm's system of quality control is not suitably designed to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects or the firm has not complied with its system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.**

(f) In the case of a permit holder [~~which performed no audit engagements, but did perform one or more review engagement or one or more compilation engagement during the year under review, an "unqualified" report shall be a report which states that nothing came to the peer reviewer's attention that caused the peer reviewer to believe that the review or compilation reports submitted for review did not conform with the requirements of professional standards in all material respects.~~] **required to undergo an engagement review, a peer review report rating of *pass* means that the reviewer concluded that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects.**

(g) In the case of a permit holder [~~which performed no audit engagements, but did perform one or more review engagements or one or more compilation engagements during the year under review, any report which sets forth a statement other than the one described in subsection (e) of this section or which limits, qualifies or changes that statement shall be a "modified" report.~~] **required to undergo an engagement review, a peer review report rating of *pass with***

***deficiencies* means that the reviewer concluded that nothing came to his or her attention that caused him or her to believe that the engagements submitted for review were not performed and reported on in conformity with applicable professional standards in all material respects except for the deficiencies that are described in the report.**

(h) [The peer reviewer may also issue to the permit holder under review, if appropriate, a letter of comments suggesting any areas where improvement can be made. Said letter of comments shall not be filed with the Board.] **In the case of a permit holder required to undergo an engagement review a peer review report rating of *fail* means that the reviewer concluded that, as a result of the deficiencies described in the report, the engagements submitted for**

review were not performed and/or reported on in conformity with applicable professional standards in all material respects.

(i) The permit holder shall [file the final opinion letter issued by the peer reviewer with] provide notice of the completion and results, of the report to the Board within thirty (30) days after the receipt of that report.

20-281-10. [~~Procedure in case of modified report a peer review report with a rating of pass with deficiencies or fail~~]. Notification and Reporting of Results of Peer Review

(a) If the **peer review** report issued [as a result of a peer review is "unqualified,"] **rates the permit holders review as pass, the permit holder shall** [take no further action, provided that the peer review was conducted in accordance with these Regulations] **provide notification that the permit holders report is available through the AICPA Facilitated Board Access System, and notification of the completion of the report, the results of the report, the acceptance of the report by an authorized oversight body, and the date of the permit holder's next scheduled peer review, within 30 days of the acceptance of the report.** [If such report is "modified" the Board may require the permit holder subject to peer review to submit an affidavit indicating that the remedial action suggested by the peer reviewer has been completed.]

(b) [If the Board finds that a peer review was not performed in accordance with these Regulations or if the Board finds that the departures from professional standards disclosed by a report are serious or numerous, in addition to any other action permitted by law, the Board may, in its discretion, require the permit holder to undergo additional peer reviews at such times and on such terms as the Board may determine; and, in the case of a permit holder which had undergone a peer review as required by subsection (a) (2) of section 20-281-8, the Board may require such permit holder to undergo a peer review as required by subsection (a) (1) of section 20-281-8.] **If the peer review report issued rates the permit holder's review as pass with deficiencies or fail, the permit holder shall file a copy of the peer review report with the Board within 30 days of the receipt of such report.**

20-281-11. Review of multi-jurisdictional permit holder

(a) With respect to a multi-jurisdictional permit holder, the Board may accept a peer review based solely upon work conducted outside of this state as satisfying the requirement to undergo peer review under these Regulations, if:

- (1) the peer review is conducted during the year scheduled under Sec. 20-281-3 or Sec. 20-281-5, or rescheduled under Sec. 20-281-4; and
- (2) the peer review is performed in accordance with requirements equivalent to those of this state under the general supervision of a State Board of Accountancy or other agency of government having the power to license accountants;
- (3) the peer review studies, evaluates and reports on the financial reporting practice of the firm as a whole; and
- (4) At the conclusion of the peer review, the peer reviewer issues a report equivalent to that required by section 20-281-9 of these Regulations.

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(b) A multi-jurisdictional permit holder not granted approval under subsection (a) of this section, shall undergo peer review pursuant to these Regulations which shall study, evaluate and report on the financial reporting practice of said multi-jurisdictional permit holder within this state.

(c) ~~[A multi-jurisdictional permit holder seeking approval under subsection (a) hereof shall submit an application to the Board by February 1st of the year of review establishing that the peer review it proposes to undergo meets all of the requirements of said subsection (a).]~~

~~(d)}~~ All multi-jurisdictional permit holders shall submit **notice of completion of** peer review **and issuance of** reports to the Board as required by ~~[subsection (h) of section 20-281-9.]~~ **these Regulations.**

20-281-12. Waiver

(a) The Board, in its discretion, may grant a permit holder a waiver of the requirement of undergoing a peer review for any one of the following reasons:

(1) (A) The permit holder does not engage in financial reporting areas of practice, including audits, compilations and reviews; and

(B) The permit holder does not intend to engage in any of said financial reporting areas of practice during the next year; and

(C) The permit holder agrees to notify the Board that it has begun to engage in financial report practice immediately upon its acceptance of a single audit engagement, or review engagement, or compilation engagement;

(2) Health;

(3) Military service;

(4) The conduct of a peer review will create individual hardship;

(5) There exists other good cause, as the Board may determine.

(b) Requests for waivers shall be in writing and under oath, and shall be upon forms which the Board shall provide for that purpose.

(c) Requests for waivers shall be submitted with a permit holder's application for renewal of its permit to practice or as soon as practicable after the circumstances arise which are the basis for the request.

(d) Any permit holder which has been granted a waiver pursuant to subsection (a) (1) of this section shall immediately notify the Board upon accepting a financial reporting engagement, including an audit engagement, a compilation engagement, or a review engagement. Such permit holder shall undergo peer review ~~[during the first calendar year after]~~ **within three years** of accepting the first such financial reporting engagement].

(e) Any permit holder which has been granted a waiver pursuant to subsections (a) (2) through (a) (5), inclusive, shall immediately notify the Board when the basis upon which such waiver was granted has ceased to exist. When the circumstances upon which such a

waiver was granted cease to exist, the Board may require the permit holder to undergo a peer review at such time as the Board deems appropriate.

- (f) A waiver shall only be effective for the calendar year for which it has been granted.
- (g) If the Board finds that a waiver was improperly obtained or that the circumstances upon which the waiver was granted no longer exist, it may revoke the waiver and order the permit holder to undergo a peer review at such time as the Board deems appropriate.
- (h) A permit holder granted a waiver shall undergo a peer review during the next calendar year, unless a new waiver or rescheduling is granted pursuant to these Regulations.

(NEW) 20-281-13 Discipline or corrective action

Upon receipt by the Board of a peer review report, with a rating of pass with deficiencies or fail, the Board shall review such report to determine what, if any, discipline or corrective action is appropriate.